

OUTLOOK:

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National Economic Outlook



Local Economic Conditions

Outlook Conference

October 10, 2013

William W. (Woody) Hall, Jr.

Professor of Economics

and

Senior Economist

H. David and Diane Swain Center for Business and Economic Services

Cameron School of Business

The University of North Carolina Wilmington

hall@uncw.edu



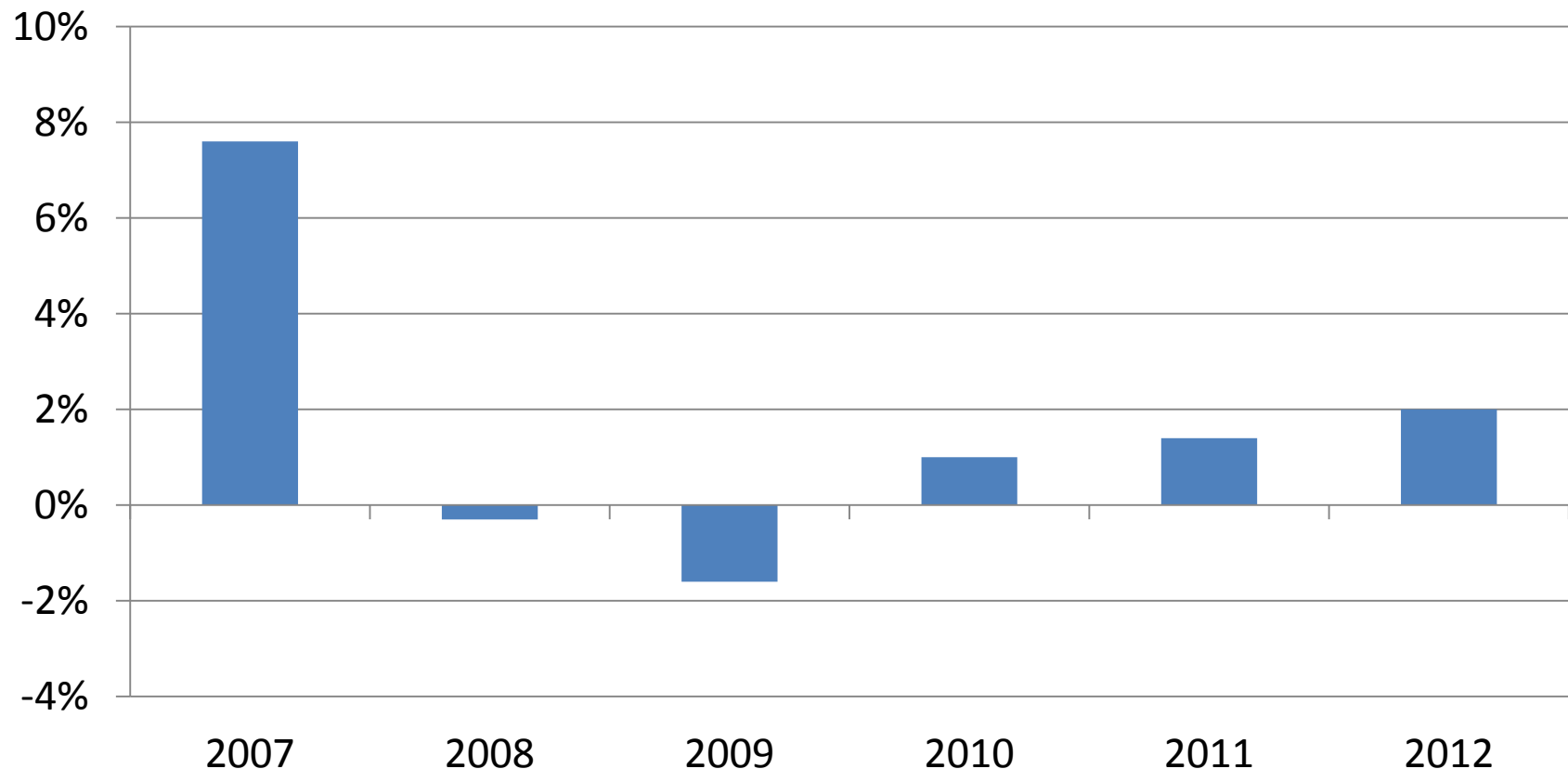
UNIVERSITY of NORTH CAROLINA WILMINGTON

Web Site for Slides

- <http://www.uncw.edu/swaincenter>

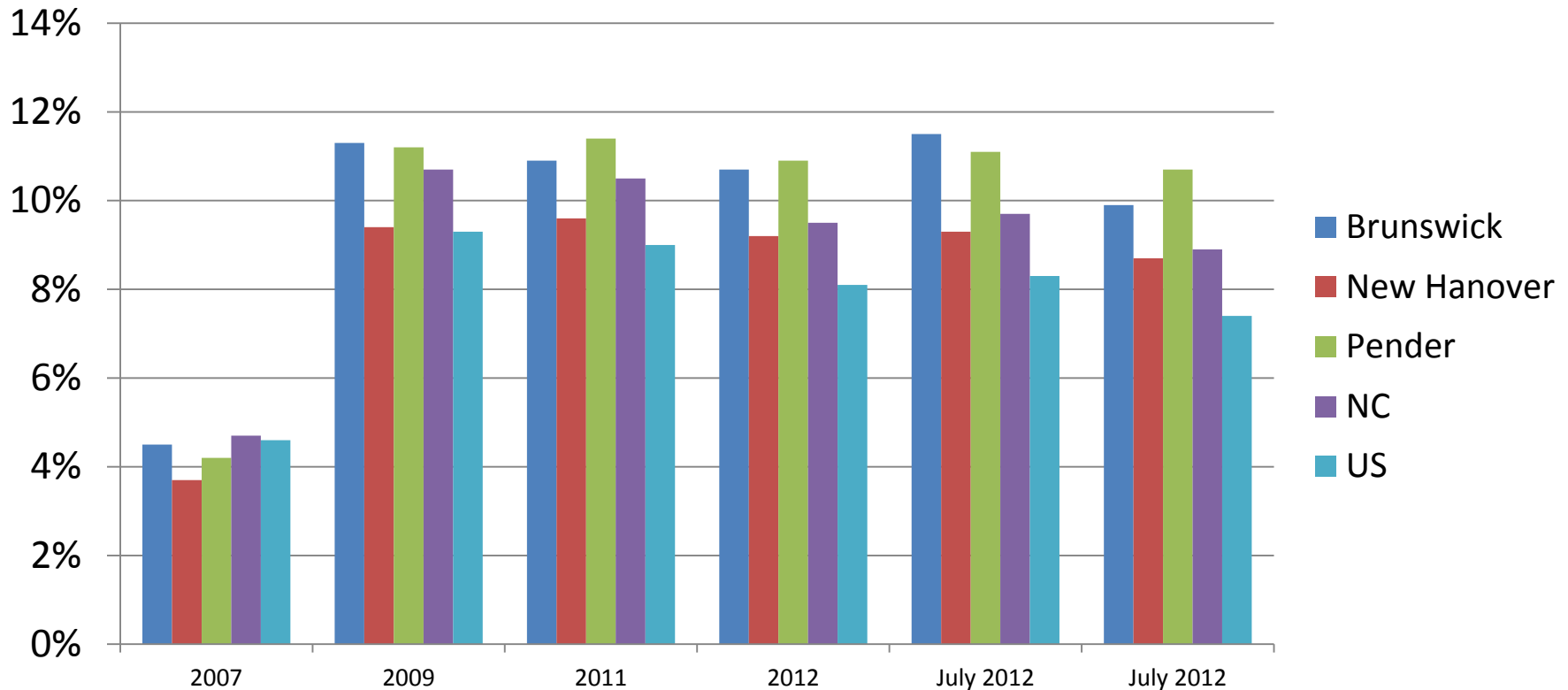
Wilmington Area Real Gross Domestic Product (GDP) Growth

(Brunswick, New Hanover, and Pender Counties)



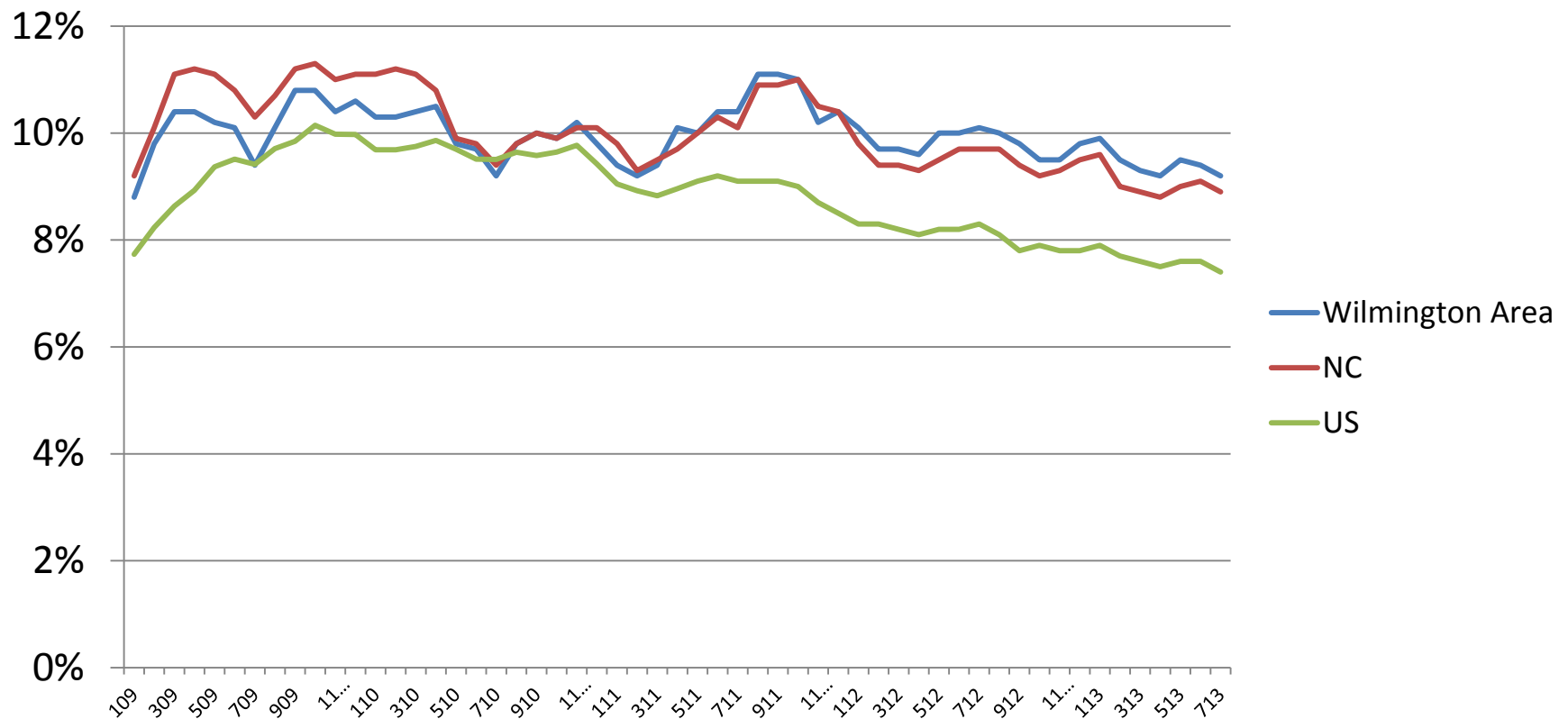
Source: Bureau of Economic Analysis, U.S. Department of Commerce; William W. Hall, Jr. and Ravija Badarinathi for the H. David and Diane Swain Center for Business and Economic Services, Cameron School of Business, UNC Wilmington .

Unemployment Rates



Source: Division of Employment Security, NC Department of Commerce;
Bureau of Labor Statistics, US Department of Labor.

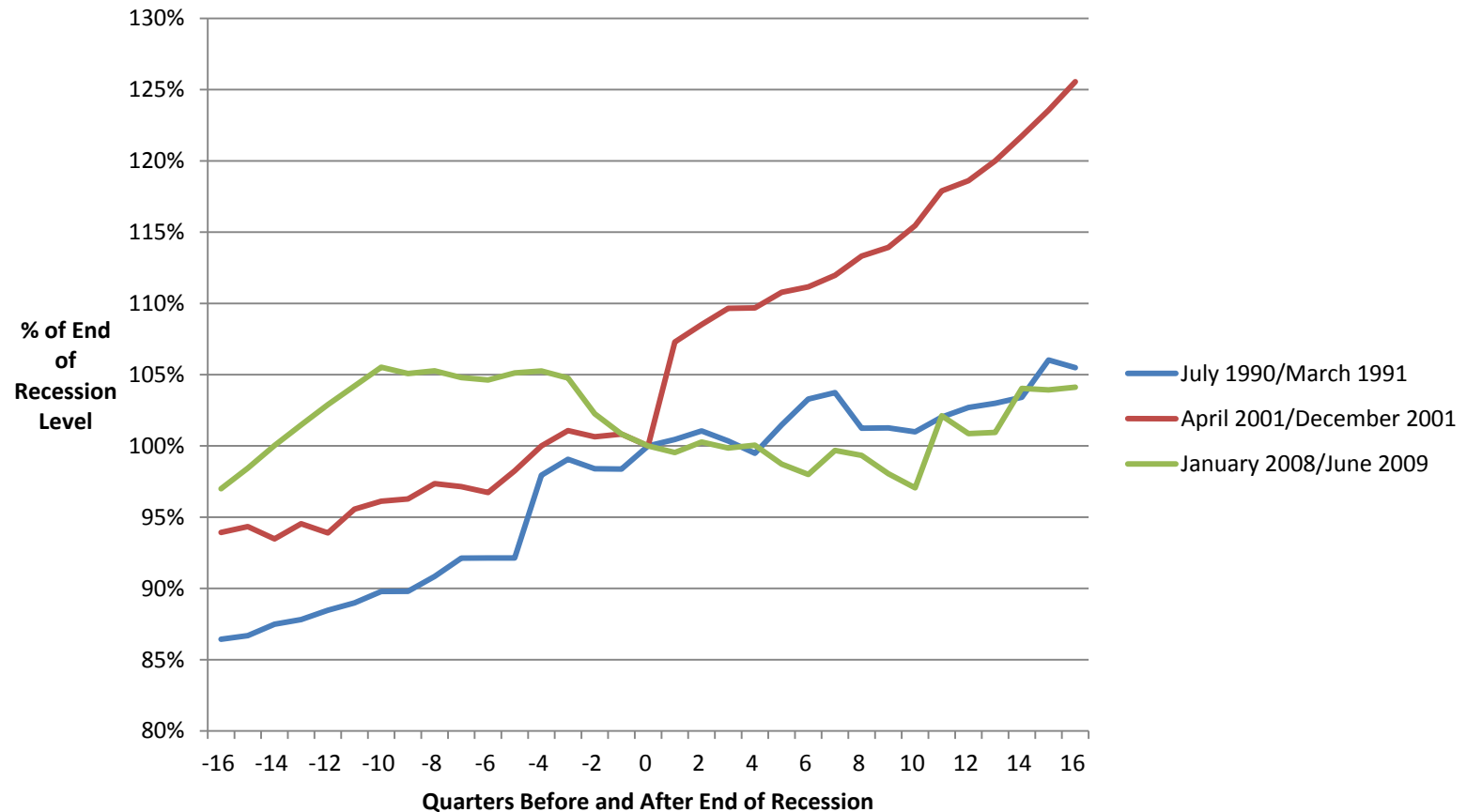
Unemployment Rates (Seasonally Adjusted)



Source: Division of Employment Security, NC Department of Commerce; Bureau of Labor Statistics, US Department of Labor.



Wilmington Area Employment Spider Chart



Source: NC Division of Employment Security, NC Department of Commerce.

Wilmington Area 1Q2013 Employment and Wages

	1Q2013 Employment			1Q2013 Average Weekly Wage		
NAICS Sector	% of Total 1Q2013 Employment	% Change from 1Q2012	% Change from 1Q2008	Wage (\$)	% of MSA All-Sector Average	% of State Sector
Health Care & Social Assistance	16.3	1.6	11.3	731.62	100.6	85.9
Retail Trade	14.4	3.8	-5.1	470.14	64.7	95.5
Local Government	14.3	2.2	1.1	779.00	107.2	100.9
Accommodations & Food Services	12.6	2.8	1.1	262.15	36.1	92.2
Educational Services	9.0	2.6	-2.2	720.59	99.1	95.1
Public Administration	6.0	-0.3	2.6	829.63	114.1	97.6
Professional & Technical Services	6.0	0.5	-5.3	1,169.72	160.9	89.8
Manufacturing	5.6	1.1	-19.7	1,353.82	186.2	123.1
Administrative & Waste Services	5.4	12.1	3.5	558.61	76.8	93.9
Construction	5.3	0.5	-39.6	689.63	94.9	84.9
All Sectors		2.5	-6.2	727.00		82.2

New Incorporations

	Brunswick County	New Hanover County	Pender County
2010	519	1,609	213
% Change 2009-10	0.8	4.1	-9.7
2011	564	1,603	209
% Change 2010-11	8.6	-0.4	-1.9
2012	1,168	1,058	227
% Change 2011-2012	107.1	-34.0	8.6
Sept. 2012-Aug. 2013	1,460	861	227
% Change from Sept. 2011-Aug. 2012	28.5	-20.8	-1.3

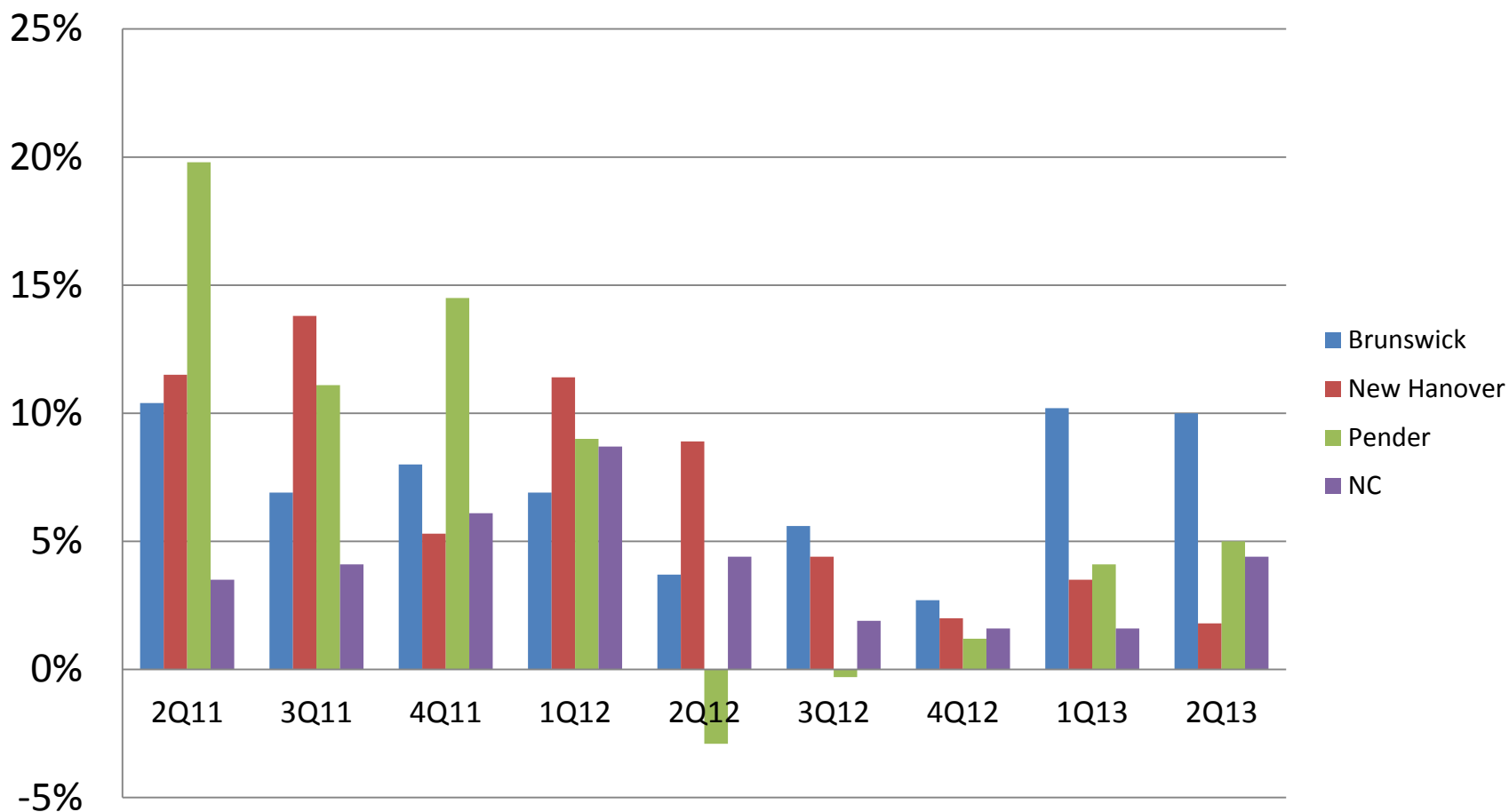
Source: NC Secretary of State.

Retail Sales Growth Rates



Source: NC Department of Revenue.

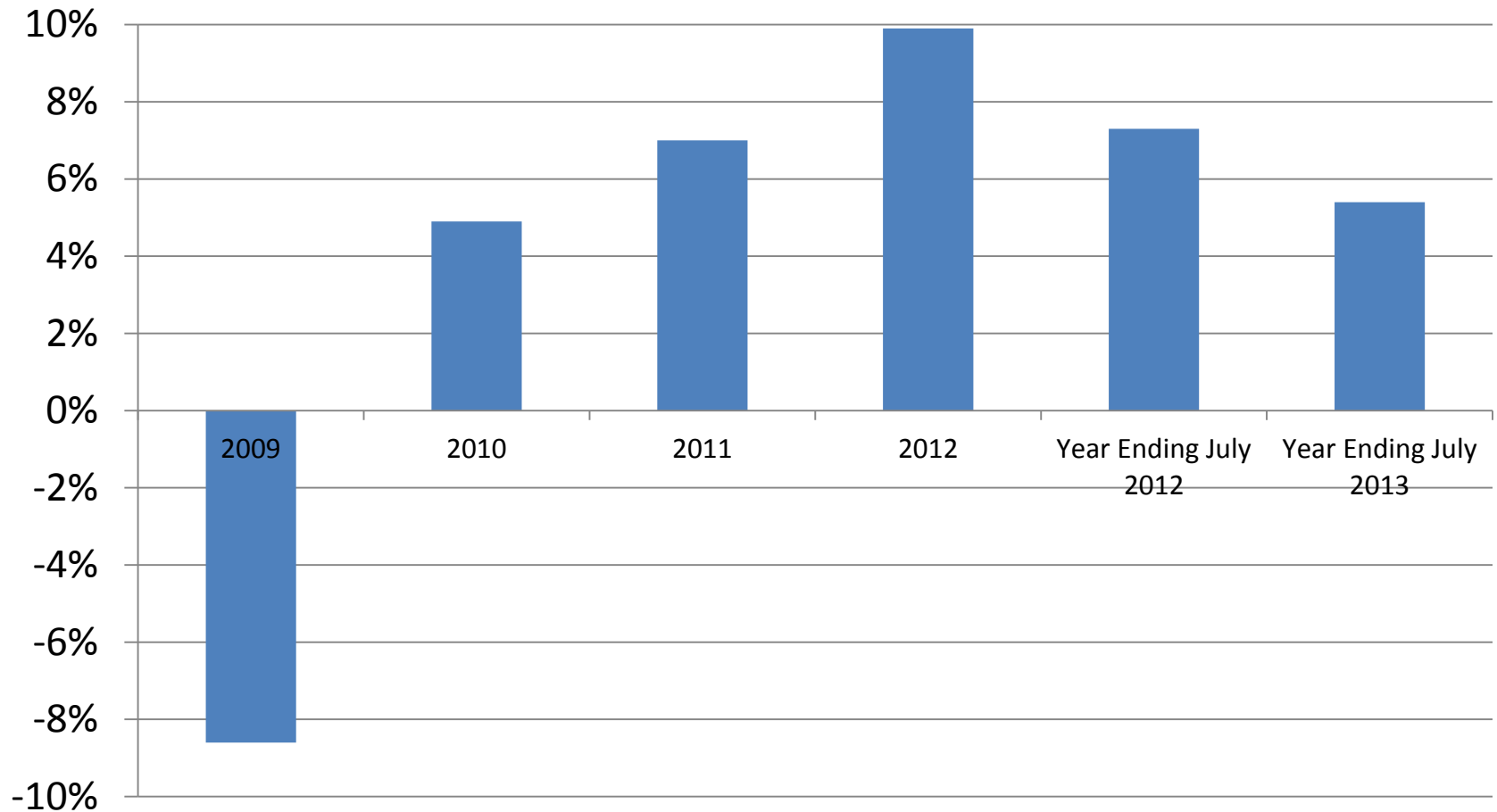
Retail Sales Growth Rates (Compared to Previous Year)



Source: NC Department of Revenue.

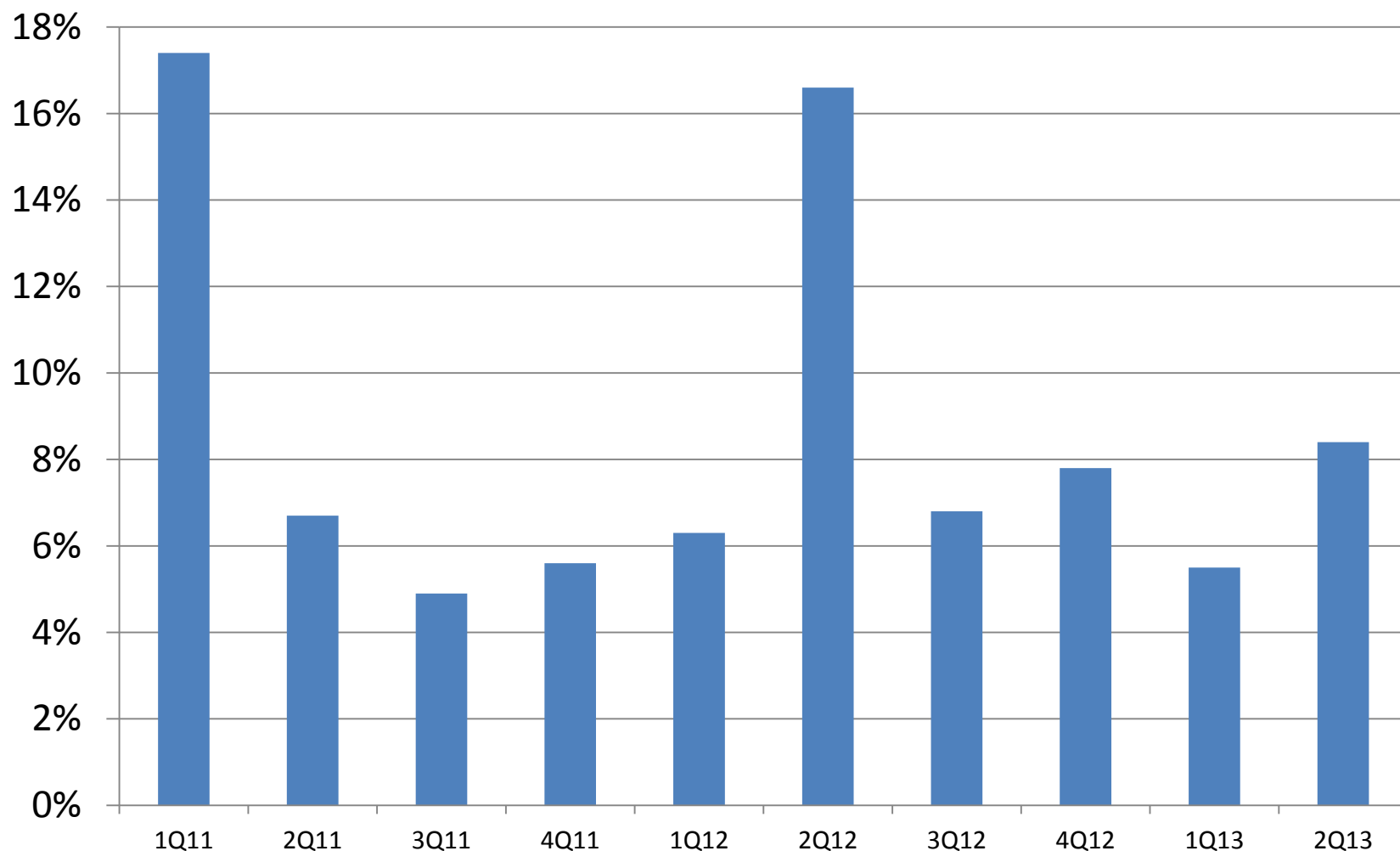
New Hanover County Room Occupancy Tax Collection Growth Rates

(Not Seasonally Adjusted)



Source: New Hanover County Finance Department.

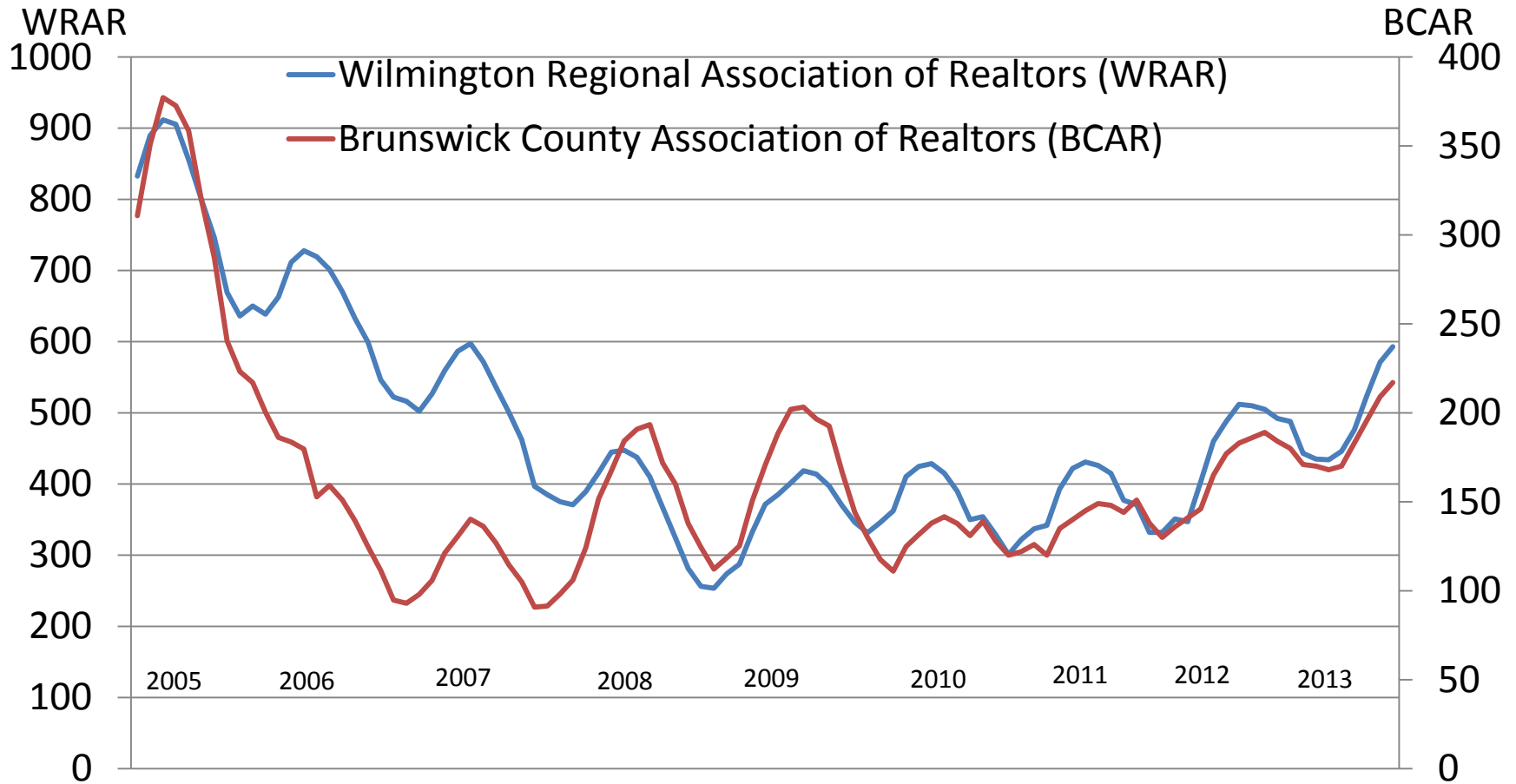
New Hanover County Room Occupancy Tax Collection Growth Rates (Compared to Previous Year) (Not Seasonally Adjusted)



Source: New Hanover County Finance Department.

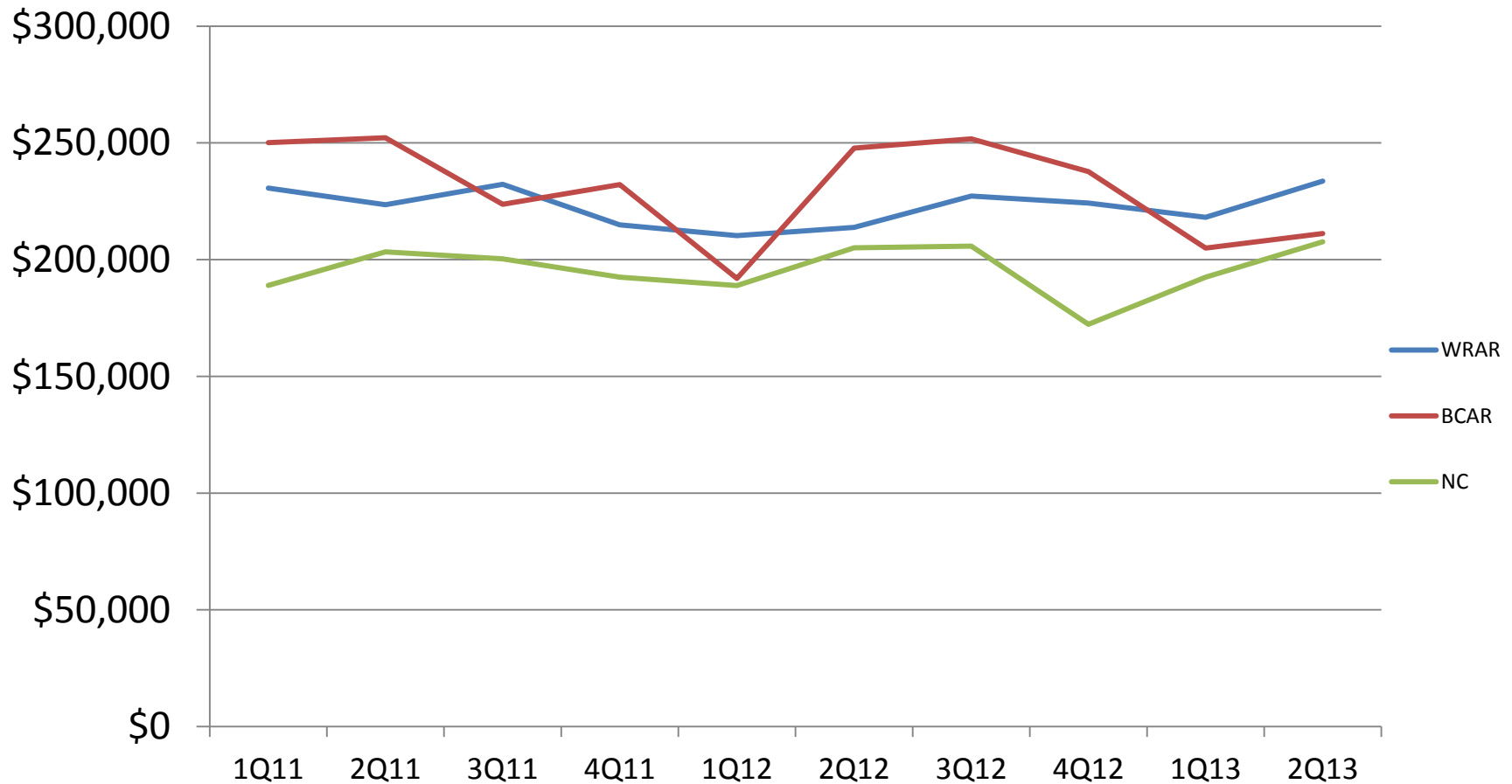


Sales of Existing Single-Family Homes (5-Month Centered Moving Average)



Source: NC Association of Realtors.

Average Quarterly Single-Family Sales Price



Source: NC Association of Realtors.

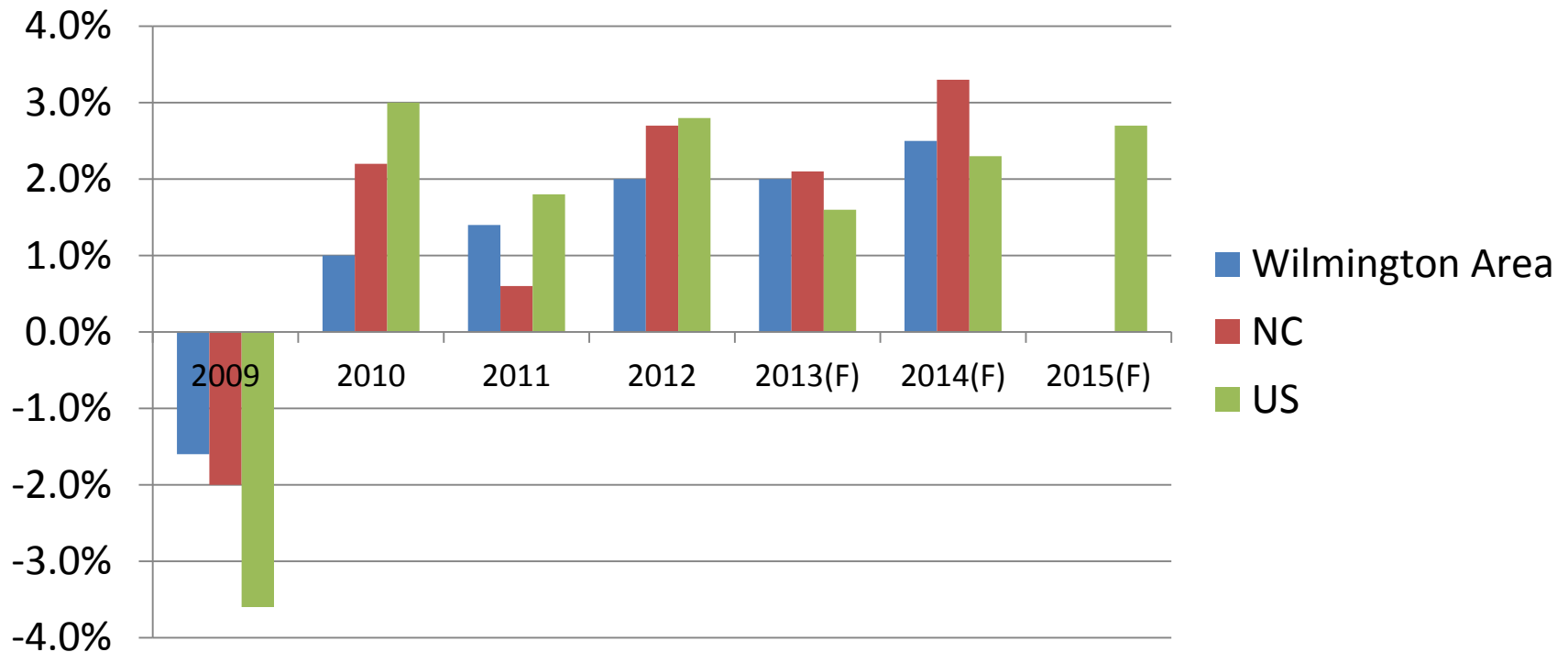
Foreclosures

	Brunswick County	New Hanover County	Pender County	North Carolina
2010	1,693	1,881	521	66,296
% Change 2009-10	3.1	26.8	10.1	10.0
2011	1,458	1,559	419	53,218
% Change 2010-11	-13.9	-17.1	-19.6	-19.7
2012	1,173	1,432	426	54,749
% Change 2011-2012	-19.5	-8.1	1.7%	2.8
Sept. 2012-Aug. 2013	1,044	1,161	383	50423
% Change from Sept. 2011-Aug. 2012	-14.9	-16.5	-7.5	-2.5

Forecast Assumptions

- No major tropical weather event
- No terrorist attack
- Re-start of the Federal government within the next month
- No default on the Federal debt


Real Gross Domestic Product Growth Rates



Source: Bureau of Economic Analysis, U. S. Department of Commerce; Economics Group, Wells Fargo Securities, Weekly Economic & Financial Commentary, October 4, 2013; Babson Capital/UNC Charlotte Economic Forecast, September 10, 2013; Ravija Badarinathi and William W. Hall, Jr., for the H. David and Diane Swain Center for Business and Economic Services, Cameron School Business, UNC Wilmington.

Quarterly Barometer

<http://www.csb.uncw.edu/cbes/newsletter/index.htm>



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benefactors, H. David
and Diane Swain at
[www.csb.uncw.edu/
swaincenter](http://www.csb.uncw.edu/swaincenter)

Economic Barometer



Volume V, Issue 2


July 2013


Recent Developments on the National Economy

The news at the national level has generally been upbeat of late, leading many commentators to conclude that the long-awaited pickup in the economy has arrived. Getting special attention has been new life in the long-dormant housing sector. As shown in the chart below, permits for single-family homes have been on a steady upward march for more than a year. Meanwhile, prices of existing homes have been


rising briskly in recent months, as shown in the next chart. The revival in home prices has been helping to lift equity positions in homes and household net worth,


New Private Housing Units Authorized by Building Permits - In Structures with 1 Unit (PERMIT1)
Source: U.S. Department of Commerce: Census Bureau



FRED  Shaded areas indicate US recessions.
2013 research.stlouisfed.org

SBP Case-Shiller 20-City Home Price Index (SPCS20RSA)
Source: Standard and Poor's



FRED  Shaded areas indicate US recessions.
2013 research.stlouisfed.org

Annual Economic Impact per \$10 Million in Revenues Received by CRO's on the Wilmington, North Carolina Area^{1,2}

Output (Gross Revenues)³	\$18,000,000
Employment ⁴	150
Labor Income ⁵	\$7,600,000
State and Local Government Tax Collections	\$725,000
County Property Tax Collections ⁶	\$174,000
(Equivalent) County Property Tax Base ⁷	\$34,300,000
¹ Brunswick, New Hanover, and Pender Counties	
² All dollar figures are in 2 nd quarter 2013 dollars.	
³ Impact on gross multi-county product	
⁴ Full-time and part-time employment	
⁵ Wages, salaries, and self-employment income	
⁶ Annual county property tax collections	
⁷ Based on 2012-13 county property tax rates, the size of the county property tax base that would support \$174,000 in annual county property tax collections	

Source: Wilmington, North Carolina area economic impact model developed with IMPLAN® software



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Special Welcomes from
Pat Walsh with AAIPharma
David Simmons with PPD



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Laura Padgett
Wilmington City Council
Special Proclamation



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Contract Research Organization Panel:

Charles Hardy (moderator), Dean, College of Health and Human Services

Chuck Bon, Biostudy Solutions

Julie Orr, Modoc Research

Barbara Pennington, UNCW Clinical Research Program, formerly with PPD

Yousry Sayed, Quality Chemical Laboratories



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Real Estate Panel:

Larry Clark (moderator), Dean, Cameron School of Business

Ken Dull, McKinley Building Corp.

Chris Livengood, Intracoastal Realty

Teresa Huffmon, Coldwell Banker Commercial and Atlantic Neurosurgical



2013 UNCW Economic Outlook Conference

Residential Real Estate Market Brief



HOUSING

WARRANT

INFLATION

EXPLO

FINAN

ESTIMATED

DISRUPTION

ENVIRONMENT

GROWTH

MARKET

FINANCIAL

PROPERTY

MARKET

EXPANSION

PROPERTY

MARKET

EXPANSION

PROPERTY

HOUSING MARKET SHOWING STRENGTH

% Change
vs Last Year

NATIONAL SALES
UP 13%

LOCAL SALES
UP 19%

NATIONAL MEDIAN PRICES
UP 15%

LOCAL MEDIAN PRICES
UP 7%

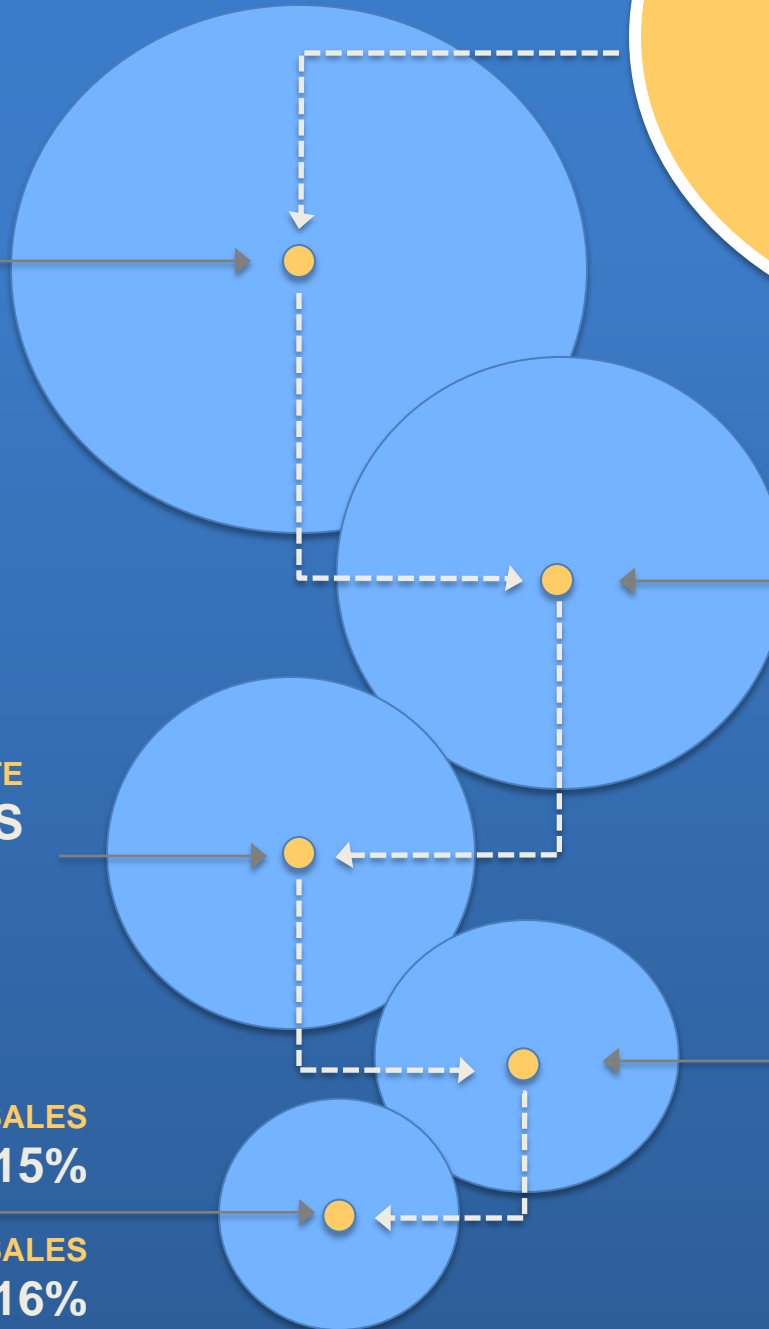
30 YR INTEREST RATE
UP 1.25 POINTS

NATIONAL INVENTORY
DOWN 6%

LOCAL INVENTORY
DOWN 2%

NATIONAL % OF DISTRESSED SALES
DOWN 15%

LOCAL % OF DISTRESSED SALES
DOWN 16%



Supply & Demand



Months Supply & Impact on Price



Months

Market

Pricing

1 - 5

Sellers

Appreciation

5 - 6

Even

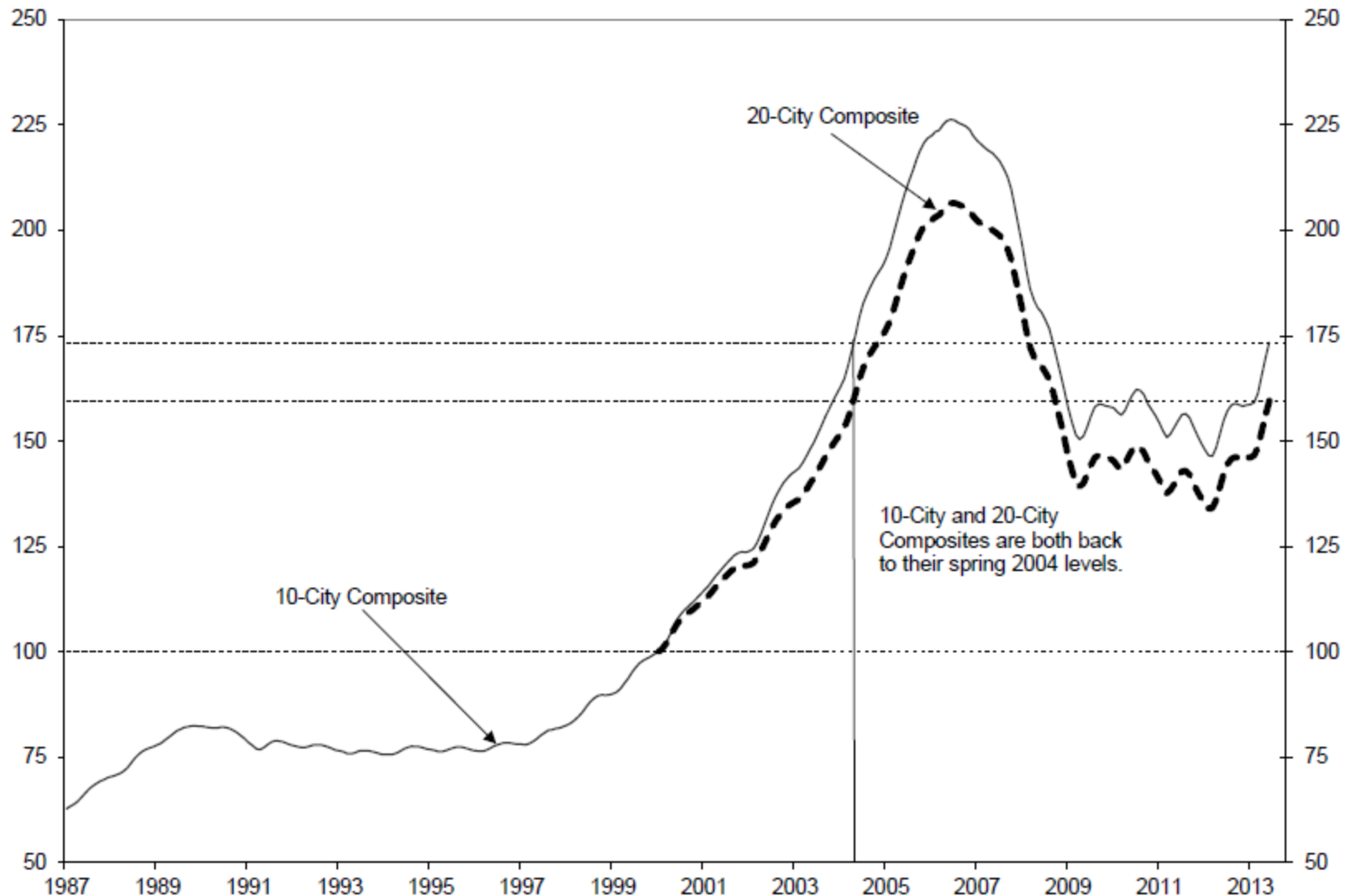
The Norm

6+

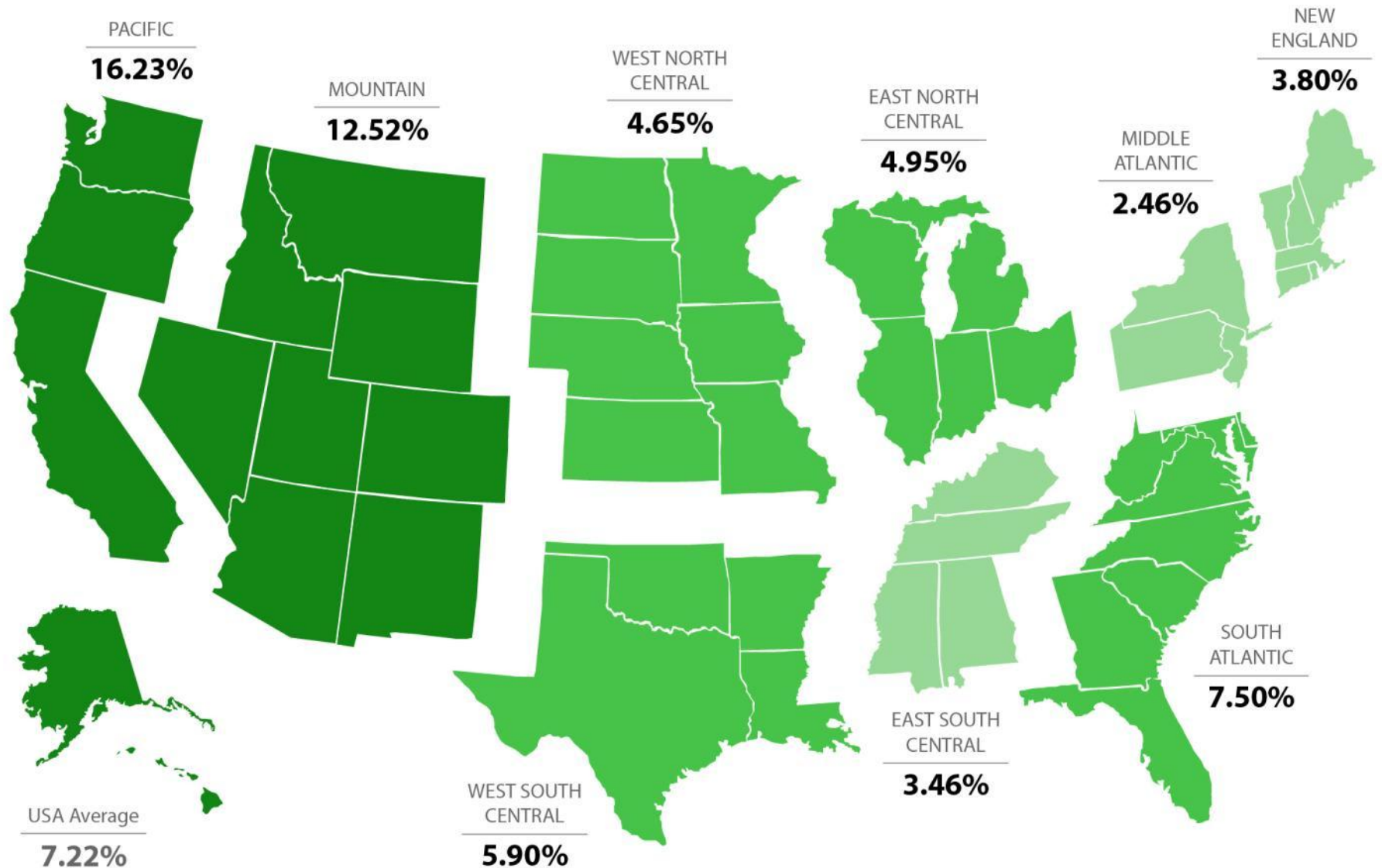
Buyers

Depreciation

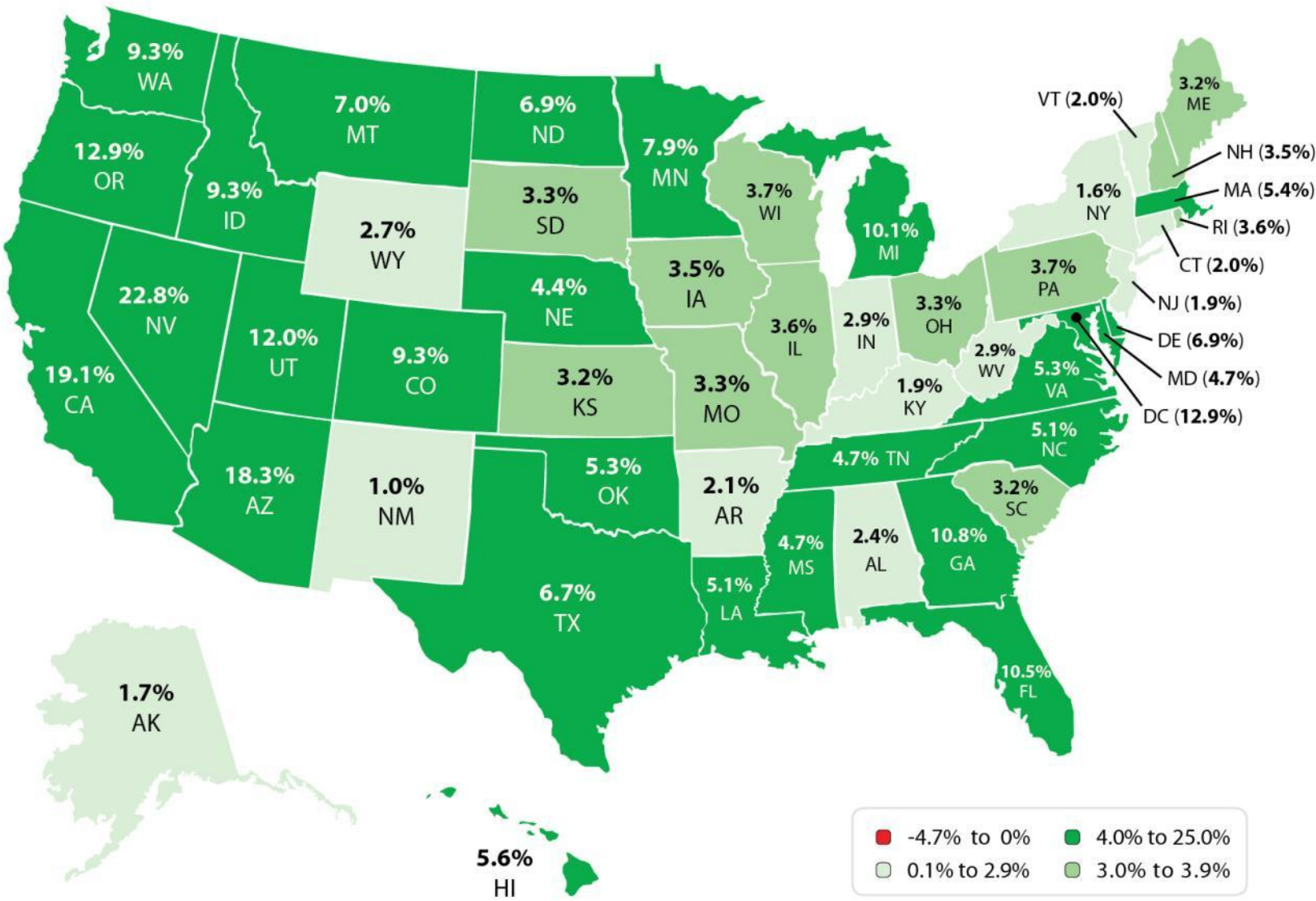
S&P Case-Shiller Home Price Indices



FHFA Regional Home Prices (year-over-year)

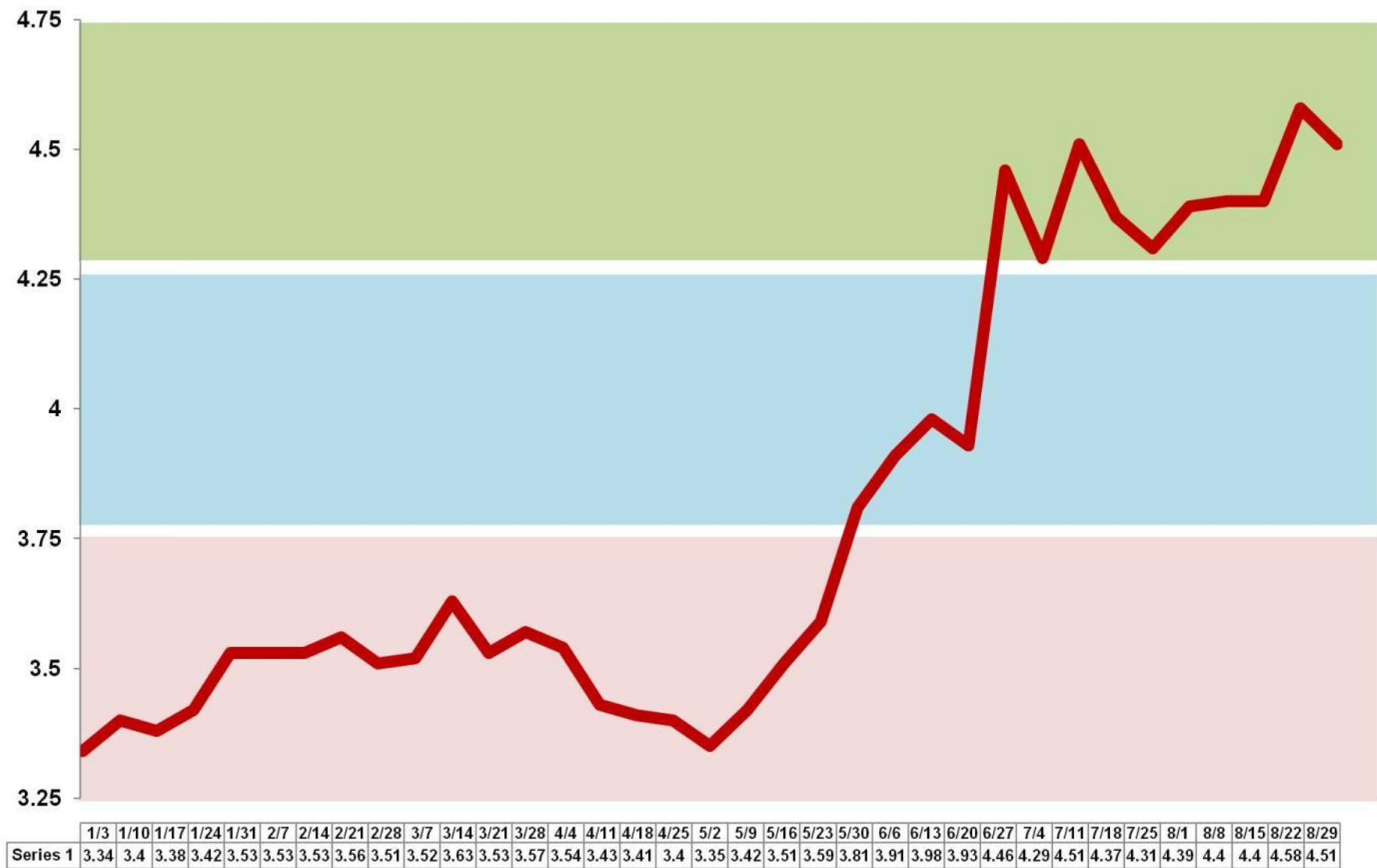


FHFA State Home Prices (year-over-year)



Recent Rate Movement

30 Year Fixed Rate



Mortgage Rate Projections



Analyst	Projected Rate 3Q 2014
Fannie Mae	5.0%
National Assoc. of Realtors	5.1%
Freddie Mac	5.1%
Mortgage Bankers Assoc	4.9%

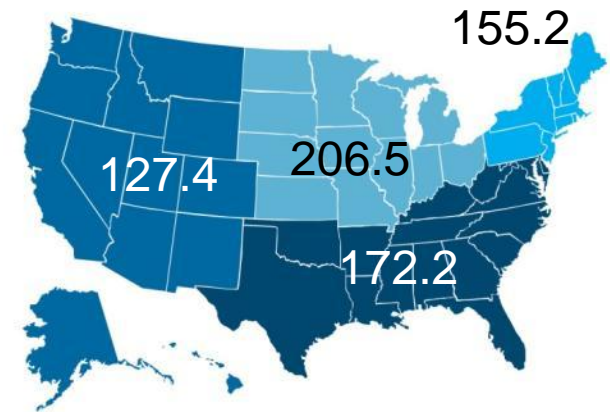
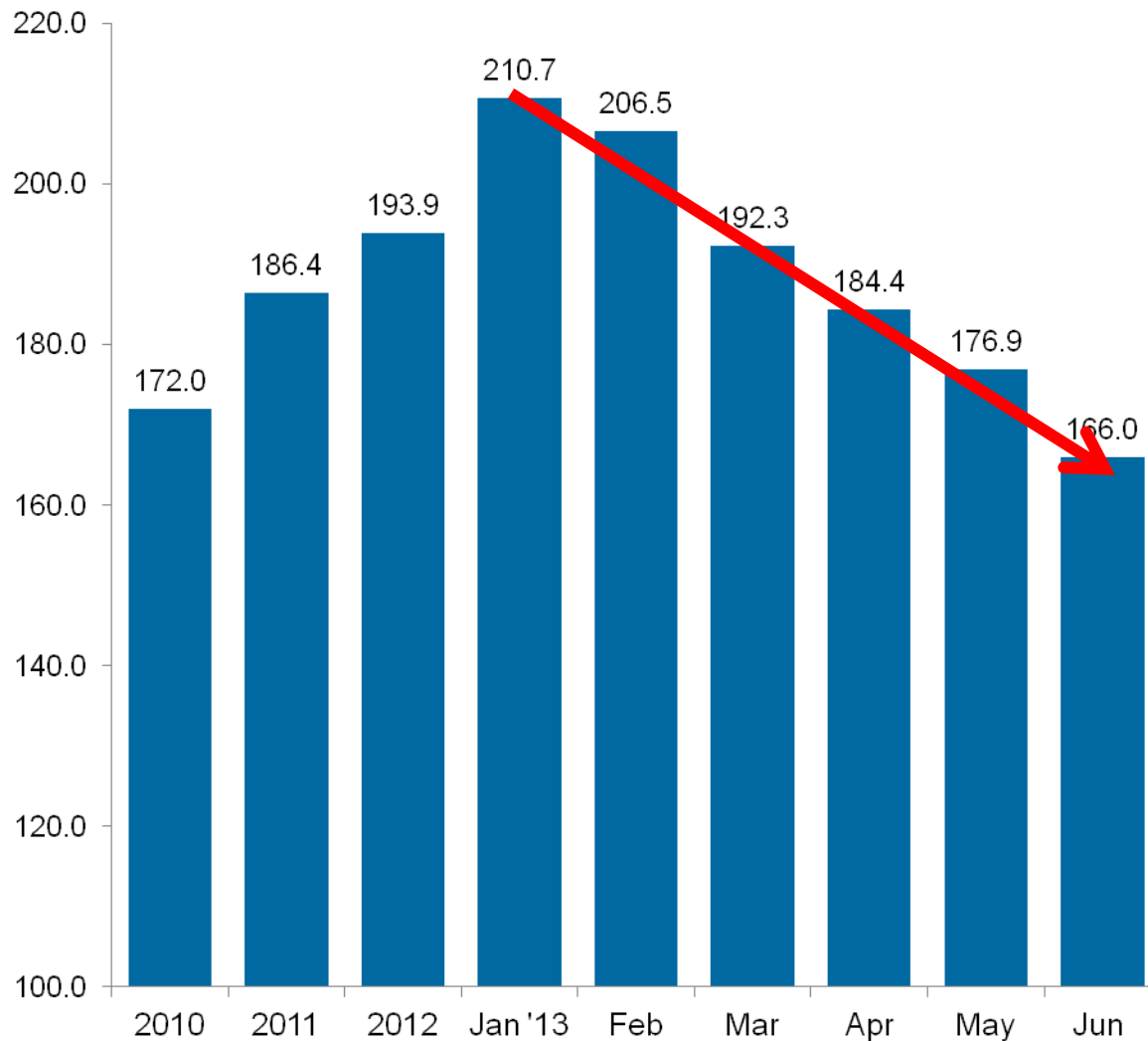
The Cost of Waiting

	Price	Money Down	Mortgage	Interest Rate	Payment (P&I)
Last Year*	\$187,800	\$37,560	\$150,240	3.5%	\$674.64
This Year*	\$213,500	\$42,700	\$170,800	4.5%	\$865.42
Next Year**	\$224,175	\$44,835	\$179,340	5%	\$962.74

*For the first two examples, we used the NAR's Existing Home Sales Report to establish median price and *Freddie Mac's* Primary Mortgage Market Survey to establish mortgage rate. We also assumed a 20% down payment in all examples.

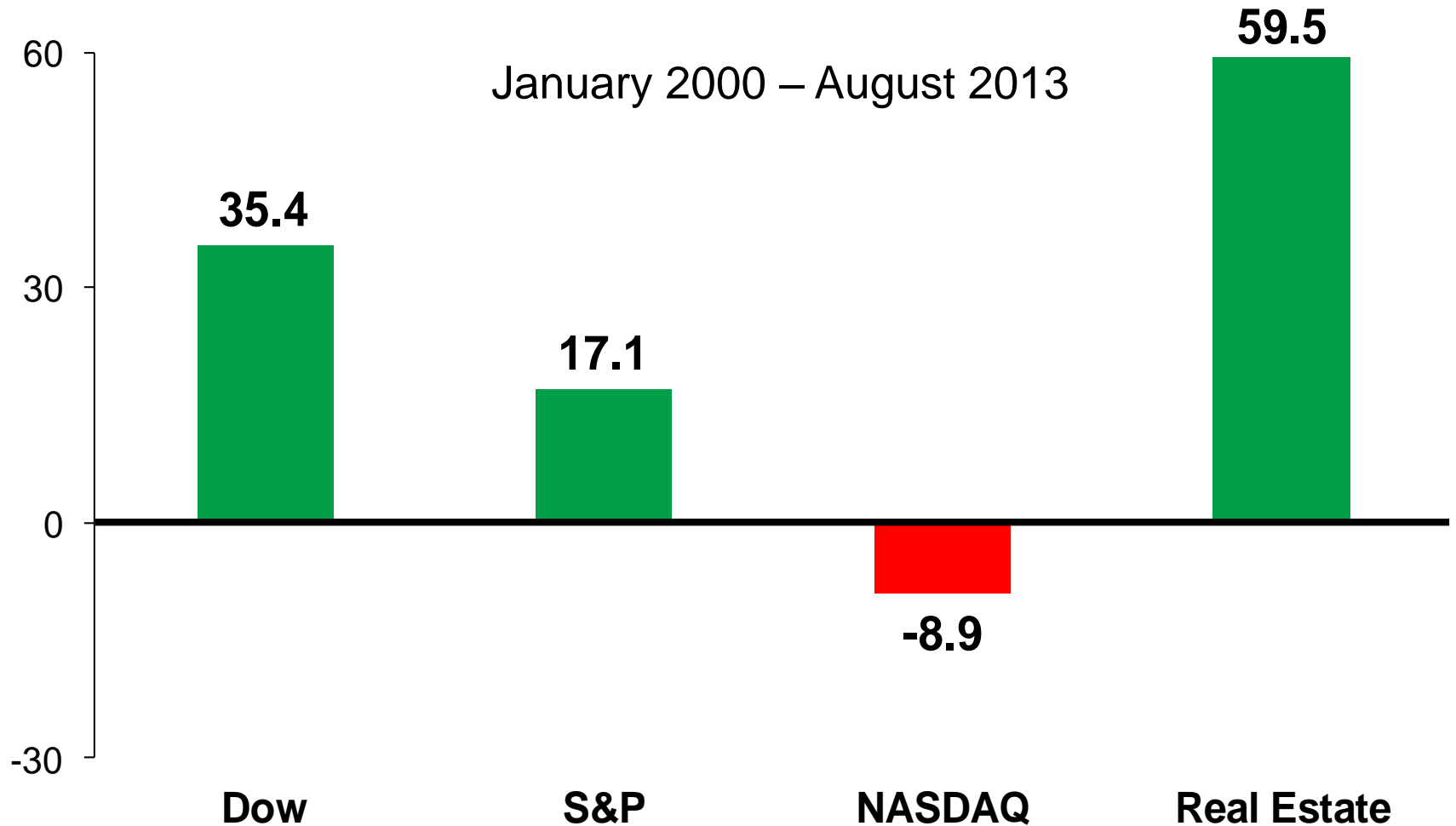
**To establish next year's pricing, we depended on the over 100 housing experts surveyed for the Home Price Expectation Survey who called for an approximate appreciation rate of 5% over the next twelve months. For the interest rate, we took the average of the projections from the *Mortgage Bankers' Association*, *Freddie Mac* and *Fannie Mae*.

Home Affordability Index



To interpret the indices, a value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home. An index above 100 signifies that family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home, assuming a 20 percent down payment.

Return on Investment



Resources

Slide	Slide Title	Link
4	Real Estate Recovery	http://www.realtor.org
5	A Swing Back Toward Ownership	PAID: http://www.economy.com/dismal/pro/article.asp?cid=241831
6	Boomerang Buyers	http://www.kcmblog.com/2013/08/22/boomerang-homebuyers-get-a-shorter-ride-home/ http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee
7, 8	Social Benefits of Homeownership	http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/hbtl-04.pdf
9, 10, 11	FHFA Regional Home Prices, FHFA State Prices	http://www.fhfa.gov/webfiles/25483/2013Q2HPI82213Final.pdf
14	Months Inventory of Home Sales	http://www.realtor.org
17	Negative Equity Graphic	http://zillow.mediaroom.com/index.php?s=159&item=373
20	Mortgage Rate Projections	http://www.mortgagebankers.org/files/Bulletin/InternalResource/84813_.pdf http://www.freddiemac.com/news/finance/docs/Jun_2013_public_outlook.pdf http://www.realtor.org/sites/default/files/reports/2013/embargoes/phs-6-27-hgbfjnv/july-2013-outlook-2013-6-27.pdf http://www.fanniemae.com/resources/file/research/emma/pdf/Housing_Forecast_061313.pdf
21	Home Prices Next Year	https://pulsenomics.com/Q2_2013_HPE_Survey.php
26	Return on Investment	http://www.spindices.com/index-family/real-estate/sp-case-shiller

Resources

Slide	Slide Title	Link
27, 28, 29, 30	Pending Home Sales, Months Inventory of Homes for Sale, Percentage of Distressed Property Sales	http://www.realtor.org
31	S&P Case-Shiller Home Price Indices	https://www.spice-indices.com/idpfiles/spice-assets/resources/public/documents/19529_cshomeprice-release-0730.pdf
34	Housing Pulse Survey	http://www.realtor.org/news-releases/2013/07/renters-thinking-more-about-owning-a-home-say-homeownership-is-a-top-priority
36	30 Year Fixed Rate Mortgage History	http://www.freddiemac.com/pmms
34	S&P Case-Shiller Home Price Indices	https://www.spice-indices.com/idpfiles/spice-assets/resources/public/documents/19529_cshomeprice-release-0730.pdf
41	Stephen Phillips Quote	http://www.businesswire.com/news/home/20130812005934/en/Prudential-Real-Estate-Q2-Outlook-Survey-Millennials
42	Home Affordability Index	http://www.realtor.org/topics/housing-affordability-index/data http://www.realtor.org/topics/housing-affordability-index/methodology
43	Family Wealth	http://economistsoutlook.blogs.realtor.org/2013/07/30/the-latest-homeownership-rate/

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